



**U.S. Immigration
and Customs
Enforcement**

News Release

August 18, 2006

ICE assists Brazilian officials in dismantling \$200 million trade fraud scheme *-- More than 240 locations in Brazil and the United States targeted in "Operation Deluge" --*

WASHINGTON, D.C. – Julie L. Myers, Department of Homeland Security Assistant Secretary for U.S. Immigration and Customs Enforcement (ICE), today announced that ICE agents in Miami and Brazil have teamed up with Brazilian authorities to target a scheme involving the under valuation of U.S. exports to Brazil to evade more than \$200 million in Brazilian customs duties over the past five years. The scheme involved tax evasion, document fraud, public corruption and other illegal activities in Brazil and the United States.

On Wednesday, roughly 950 Brazilian Federal Police agents and 350 Brazilian Customs agents executed search warrants at roughly 238 locations in the Brazilian states of Parana, Santa Catarina, Sao Paulo, Bahio, Rio de Janeiro, Pernambuco, Ceara and Esprito Santo. Brazilian authorities executed 128 arrest warrants that netted the directors and owners of several large Brazilian companies that distributed imported electronics, as well as several federal and state Brazilian government officials.

In support of the operation, ICE agents in Miami, assisted by Brazilian authorities, conducted consent searches at two warehouses and one residence in Miami controlled by Brazilian businessmen under scrutiny in the joint Brazilian-U.S. investigation. The searches resulted in the seizure of approximately \$500,000 in goods slated for export to Brazil in the fraudulent under valuation scheme. ICE agents also arrested a Colombian national who was previously deported as an aggravated felon and a Brazilian national who is being processed on administrative immigration violations for deportation.

The enforcement actions stemmed from "Operation Deluge," a lengthy investigation conducted by Brazilian authorities with assistance from the ICE Attache in Brazil and the recently-formed Trade Transparency Unit in Brazil. In March 2006, ICE teamed up with the government of Brazil to create the Trade Transparency Unit (TTU) to combat trade-based money laundering and other financial crimes in Brazil and the United States.

"The results of this massive trade fraud investigation demonstrate what can be achieved when law enforcement agencies from different nations work together. This cooperative operation dismantled an unscrupulous ring that cost the Brazilian government hundreds of millions of dollars. The searches and arrests are the first to result from collaboration between Brazilian authorities and ICE agents through our joint Trade Transparency Unit initiative. We believe this case is the beginning of many future successful joint ventures with the Brazilian government," said ICE Assistant Secretary Myers.

Brazilian authorities report that the primary leader of the criminal organization is a wealthy businessman from Sao Paolo, Brazil who once lived in Paraguay. Over the past decade, his organization has allegedly registered dozens of front companies that were undervaluing imports from the United States to evade Brazilian customs duties. Brazilian authorities estimate that their government has lost more than \$200 million in customs duties

to this fraudulent importation scheme between 2001 and 2006. The front companies affiliated with this organization were created in Uruguay, Panama, the British Virgin Islands and in the state of Delaware.

The scheme involved the under valuation of U.S. exports to Brazil of electronics equipment, computer and telecommunications equipment, tires, orthopedic equipment, surgical gloves, fruits, plastic bottles, fabric and clothes, batteries, vehicles and motorcycles, vitamins and dietary supplements, and perfumes.

The recent creation of the Trade Transparency Unit in Brazil is part of an ongoing U.S. initiative by the Department of Homeland Security, the Department of State, and the Department of Treasury. In 2005, ICE worked with the government of Colombia to establish the first foreign TTU in Colombia. In late 2005 and early 2006, ICE received \$750,000 from the Department of State and \$1.5 million from the Department of Treasury to establish, equip and make operational TTUs in Brazil, Argentina, and Paraguay.

Under this initiative, ICE and law enforcement agencies in these nations are creating dedicated units and joint computer databases to facilitate the exchange of export/import data and financial information. By jointly analyzing the shared data, these TTUs are able to detect and investigate anomalies in international commerce that may be indicative of trade-based money laundering or other criminal activities.

ICE

U.S. Immigration and Customs Enforcement was established in March 2003 as the largest investigative arm of the Department of Homeland Security. ICE is comprised of four integrated divisions that form a 21st century law enforcement agency with broad responsibilities for a number of key homeland security priorities.